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The Sociological Character of Political Economy.

BY FRANKLIN H. GIDDINGS.

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The aim of this paper is to set forth, briefly, a conception of Political Economy as a science of organic phenomena.

This conception is not opposed to that view which discloses the logical character of economic science, nor to that view which discloses its historical character. If valid, it should combine those two views into a scientific unity.

Neither does this conception remove the old landmarks by which the domain of Political Economy has been so long, and, on the whole, so satisfactorily defined. It does not attempt to make economic science co-extensive with the science of society, much less **with** the science of man. The phenomena of wealth are its subject matter. So far as it brings within the economist's consideration facts and principles that have been neglected or purposely excluded hitherto, it is because there seems to be reason for thinking that their exclusion limits or vitiates our knowledge of the production and distribution of wealth. These facts and principles belong all to one class. They are all involved in the reactions of wealth-production and distribution upon human nature and social organization. But according to

the conception here set forth, these reactions are not to be studied by the economist for their own intrinsic interest, as they are studied by the psychologist and sociologist, nor as subjects for approval or condemnation, as by the moralist, but because, having once taken place, they become, from that moment, antecedents of the further production and distribution of wealth.

Modern sociology differs from the older philosophy of history in the specific meaning it attaches to the proposition that the social aggregate is organic. When the biologist affirms that such or such an aggregate of units is an organism he not only means that it is composed of mutually dependent parts that are mutually helpful, he means specifically and chiefly that the habitual activities of every part mould and differentiate its structure, and that structure, in its turn, gives direction to activity. The boy who has worked daily from early childhood in needle-making becomes at sixteen a marvel of nervous and muscular coördinations adjusted to that particular work. But at thirty he can learn no new dexterity. His physical and mental structure have lost plasticity and all his activities have become well-nigh automatic. In every organism, then, the essential fact to be noted is the reciprocal determination of structure and function. Activity modifies structure and structure gives direction to activity.

In the social organism one part of this process is seen in the evolution of institutions through the habitual activities of the people. Institutions are, in fact, nothing more nor less than certain forms of concerted conduct become habitual and authoritatively sanctioned. And every kind of social activity

evolves its corresponding institutions. There is an economic structure in society as there is a political, as there is an ecclesiastical structure. Consisting of the whole body of arrangements, customs and laws, by which men of different abilities combine their industrial efforts and distribute the product, it is by no means inconspicuous, though one great school of economists has very nearly ignored it. The other part of the organic process is the reaction of social activities upon human nature. They shape the physical, mental and moral constitutions of individual men. The habitual activities become physiologically organized in brain cells and nerve fibers. The aptitude and taste for them are hereditarily transmitted. So, in time, traditional ideas and sentiments become the controlling agent in all further social activity. In this fact lies the conservation of institutions, the stability of social order. Modes, directions and relative amounts of social action, and with them customs and institutions, can be modified, henceforth, only in the slow measure that the inherited thought and feeling of the people are changed. Now if society is in truth an organism answering to this description, that scheme of Political Economy which finds the sufficient ground of economic phenomena in a human nature conceived of as undergoing no modification that the economist is bound to note, is unscientific. Professor Cairnes in a well-known passage, says that the economist "starts with a knowledge of ultimate causes. He is already, at the outset of his enterprise, in the position which the physicist only attains after ages of laborious search." "In the conclusions and proximate phenomena of other branches of knowledge" he has ready at hand premises for the discov-

ery of which "no elaborate process of induction is needed." This passage, unless very broadly interpreted, is a pre-Darwinian utterance. So long as economists accept it in a narrowly literal sense their science will remain in a pre-Darwinian stage of development. We must read into it the evolutionary thought. We must accept the conclusions of other branches of knowledge as they stand to-day, not as they stood fifty years ago ; and among these conclusions the most important for the economist is the doctrine that human nature and social institutions are not fixed products, but are still undergoing incessant modifications produced by those modes of daily activity which varying circumstances involve. If this doctrine is true, then, from the very nature of the facts, the problem before the economist is a double one. It includes the two questions : What and how does the social organism produce and distribute for its sustenance and growth ; and, How does the character of the thing produced and the manner in which it is produced and distributed react on the organism ? These two parts of the inquiry must be pursued together if we hope to discover true answers to either. If we neglect to investigate the reactions of economic activities, as those do who regard human nature as fixed, we are ignoring some of the chief conditions that are to determine the production and distribution of wealth in the next stage of the process.

The answer to be expected to this is that, in scientific procedure, we have a process called abstraction, whereby we eliminate all the troublesome radical quantities from our problems and enable ourselves to have an easy time with the

simple equations. Now abstraction is a very good thing provided we know what it is and know how to use it; but the notion of abstraction that has crept into Political Economy has no counterpart in any other concrete science. It is only a relative abstraction that has any value in concrete science. Psychology affords us the most serviceable example. In all cognition there is some feeling; in all emotion there is some thought. The two elements are never absolutely separated. But in formulating a theory of cognition we make relative abstraction of feeling. In what does this consist? Simply in subordinating in the consciousness of the student, that element which is subordinate in fact in the objective phenomenon studied. The thought process, from which feeling has almost departed, engages almost the entire attention of the investigator; but the feeling, that never absolutely disappears, is never absolutely forgotten. This relative abstraction is the only kind that has any proper place in Political Economy. When production and distribution, as determined by existing human nature and social organization, are relatively predominant in economic phenomena, as they were in England after the repeal of the corn laws, they will naturally occupy a relatively large place in the economist's scientific scheme. On the other hand, if the reactions of the modes of production and distribution for some time in vogue, have begun to disturb the social order, we are sure to see a partial neglect of the older economic questions and a concentration of attention upon the physiological, moral and political aspects of the industrial *regime*. There could be no more striking proof of the essential truth of the view here pre-

sented of the dual nature of the economic problem and the relativity of economic abstraction, than the phenomena of the world-wide labor movement, now in progress. This great upheaval has compelled economists, whether they would or not, to seek its causes in the action of economic forces upon the natures of men, and, in so doing, to admit that these forces are not entirely expended in the immediate creation of wealth, and to perceive that among its effects will be considerable modifications of social structure and function, which, in their turn, will affect all subsequent production and distribution.

Political Economy, then, as the science of wealth, is necessarily the science of the reciprocal relations of wealth and the social organism. Among English writers, the one who approached nearest to this conception was Malthus, who said that Political Economy was the science of man in his relations to wealth.

This conception necessitates several important changes in the traditional plan of our science.

If one compares a systematic work on physiology with a systematic work on Political Economy, his attention will be arrested by the great amount of descriptive matter in proportion to the logical matter in the one work, and the great amount of logical matter in proportion to descriptive, in the other. If political economy is a science of organic phenomena, we must devote far more time and space to description than any systematic English writer has done since Adam Smith. But this description must be something more than a mere narrative of facts and events, or such collections of unorganized materials as fill the bulky volumes of Professor Roscher. It

must be a description of economic phenomena in their relations to each other and to underlying principles, in a word, in their coördinations. I think we may say that this work has been most promisingly begun, and that our own association stands for most valuable contributions to it, already accomplished and to be accomplished in the future.

But we must guard against the mistake made by a few extremists of the historical school of undervaluing logical analysis. It is not quite creditable to the scientific sense of Political Economists that a dispute has arisen over the logical method of the science. In no other science, not even in psychology or ethics, is there any such dispute. In physics or chemistry or physiology it would be regarded by investigators of established reputation as evidence that the disputants were not quite within the scientific pale. The consensus of scientific opinion on this point has been well established since the publication of Mr. Mill's "Logic" and has been reduced to an exceedingly clear and simple statement by Professor Jevons. "However useful may be empirical knowledge," he says, "it is yet of slight importance compared with the well connected and perfectly explained body of knowledge which constitutes an advanced and deductive science. . . . The history of science would show conclusively that deduction was the clue to all the greatest discoveries. . . . The complete method consists in the alternate use of induction and deduction. . . . Though observation and induction must ever be the ground of all certain knowledge of nature, their unaided employment could never have led to the results of modern science."

Accepting the organic conception as our starting point, and admitting that the matter of our science

must be descriptive for the most part, but that the descriptive matter must be logically interpreted, the next question to consider is the proper order of investigation and the resulting subdivision of the science. We may make some havoc, now, with the traditional division into Production, Exchange, Distribution and Consumption.

We have to remember, first, that in an organic aggregate the unequal effects of different parts and functions upon each other is due in great measure to the unequal rigidity of the parts and the unequal constancy of their action. On this account the physiologist begins his exposition by describing those parts that are least plastic and those characteristics of organs and functions that are relatively constant. He makes the provisional assumption that they are constant. From this beginning he goes on to give an account of the characteristics that are relatively inconstant, being easily affected by changes of surroundings, habit and nutrition. Next, he shows how changes in activity and nutrition slowly modify organs and functions, and he is then ready to go back and correct the provisional assumption with which he started out, and show that the constancy presumed is only a relative constancy, and that the whole organism is undergoing a gradual evolution. Finally, he reconstructs the process of historical evolution through which the organism came to be what it is.

May we not find advantage in following a similar course in economic investigation?

Beginning the search for the relatively rigid and constant factors in economic phenomena, we shall find them to be (1) The economic institutions of com-

mon and statute law. These are the most inflexible, the least easily modified things the economist has to consider; all other factors have to shape themselves to these. (2) The economic customs of the people, that is, the arrangements and habits whereby they associate or compete in carrying on production; the ways in which they combine their efforts. (3) Those economic ideas and traits in the natures of men that have become hereditary. These, of course, are the usual ideas of the community, and the physical and moral traits of the great majority of men.

The plastic and modifying factors in the economic organism will be found in the ideas and traits that differ from the average type, and in the changing general conditions resulting from these, especially those results of plastic ideas that are embodied in inventions.

Neither in the usual nor in the occasional economic nature, shall we discover the famous economic man. The conceptions of wealth and value brought to light will be but vaguely like those set forth in economic definitions. For it is the popular conceptions of wealth in the concrete, not any notion of wealth in the abstract, that are the real antecedent of actual economic phenomena. What does a society crave? That it sets itself to produce. That determines what shall be wealth, and the proportions in which it demands the different sorts of wealth not only create the phenomena of value, but they determine the accumulation of capital, the organization of industry, the industrial vitality of labor, and, in fine, the reproductive, self-enlarging, self-perpetuating power of the economic life.

Is any concrete illustration needed of this truth? Look, then, at the mediæval and the modern concep-

tions of wealth and their consequences. For the mediæval mind the supreme embodiment of wealth was the cathedral, a structure not for the individual but for man; a structure in which centered the pride and devotion of high born and low alike, and into the building of which nothing but perfect materials and perfect workmanship might enter. By this ideal trade was controlled and labor organized. Cheapness was not a good. Fidelity, painstaking, the patient achievement of perfection were the industrial virtues, and by them the artisan was lifted up into a truly noble life. His guilds were associations for something more than organized resistance, and men and masters mingled in fraternal fellowship. To-day, the characteristic sign of the popular notion of wealth is cheapness. We demand abundance rather than quality. If commodities are cheap we do not always inquire, as Mr. Ruskin would have us, whether the money we save is the outcome of action that has created, or action that has annihilated, ten times as much. Business is debased. The moral sentiment pervading any trade is forced down, as Professor Adams has shown, "to the level of that which characterizes the worst man who can maintain himself in it." The mediæval conception of wealth found the workman a serf and raised him to freedom. The modern conception of wealth found him a freeman; it has forced upon him the conviction that he must now protect his freedom by measures of defensive war.

Different communities and the same community at different times, will exhibit a great variety of economic human nature in all but fundamental characteristics. Through the comparative study of this

variety we shall reach the scientific reconciliation between those economists who hold that Political Economy should formulate an economic ideal with those who hold that it should concern itself only with the actual. Economic science can formulate no higher ideal than one derived from the most advanced ideas and practices found in actual life. If the economist, pursuing the study of the actual, faithfully describes the economic natures and practices of the most advanced men, he does, in so doing, forecast the economic ideal. And if the economic thought and action of the best communities or associations of men are described in contrast with the economy of communities or associations that are less perfect, whatever of moral obligation it may be the function of economic science to disclose, will stand out and speak out for itself. There will be no need of dogmatism or exhortation.

The comparative study of economic institutions and customs as we find them, and of the economic natures of men as we find them, constitutes the first part or division of the science. The second part has to do with the activities arising from economic desires and taking channels determined in part by economic institutions and customs. These activities constitute the actual phenomena of production and distribution. They are continually multiplying and assuming a bewildering variety of new forms, yet they are also undergoing a process of integration which brings them into orderly arrangement. In this part of the science, as in the former one, we may advantageously conform the order of exposition to the generality and constancy of the phenomena. So doing we shall first note two principal

ways in which the economic natures of men act themselves out in production and distribution. One way is through individual efforts, consciously or unconsciously combined. This is the constant and universal way, found wherever human beings exist, in whatever stage of culture. It is the way without which society could not exist at all. The other way is through the self-consciousness of the community, expressing itself in law and public opinion. This mode of action is found in all of the more highly evolved societies, but it is lacking in those that are less developed. It is a secondary mode in all and not absolutely essential in any. A community can always exist after a manner, without it. Do not understand me to mean that the individual is precedent to society, and that society is constituted by the aggregation of individuals, as used to be taught. All the latest researches of biology and ethnology go to show that the exact contrary is true; that society is precedent to the individual. But the primordial society is not a self-conscious society. The ties that bind its units together are physical forces and the ties of relationship, superstition and tradition. In society, as in the individual, true self-consciousness is of late birth. It is also, as compared with the great fundamental processes that are built up by the unconscious combination of individual efforts, very easily modifiable. There is perhaps no other organic product that is quite so sensitive to every influence and quite so plastic in form, as true public opinion.

Accordingly, the student should turn his attention to production and distribution, as determined by individual efforts, before undertaking to trace the economic action of the social self-consciousness.

Following still the method chosen, he will distinguish between two kinds of production. One is the primary, indispensable production of simple utility. The other is the secondary, immensely important, but not indispensable production of that complex utility called value.

Nearly every economist since Ricardo has been careful to assure us that wealth comprises only those useful articles that have value. But as a matter of fact, value is a comparatively late phenomenon in the evolution of wealth, and the conception of value is by no means a primary one in the evolution of economic science. The pioneers who clear farms in the wilderness and store their cellars with food, and wear clothing spun and woven in their own kitchens, may have no experience of the facts of value in the economic sense, but for all that, they are producers of wealth. Primitive communities periodically dividing their lands, or cultivating them in common, and dividing the produce, show us nothing that, in the strict economic sense, can be called value, but are they therefore destitute of wealth? Concrete embodiments of utility are what the unlettered man understands by wealth. The production of these is the primary economic process, and I think that no one who has carefully studied the profound work of Professor Jevons will hesitate to admit that "the best employment of labor and capital by a single person"—the entire phenomena of exchange and value being left out of consideration—is a question that must yet be treated in economic science.

Furthermore, I wish to maintain that value itself is a *mode of utility*. It is with diffidence that I vent-

ure to criticise Professor Jevons, but I am obliged to think that he just fails of carrying out his thought to its legitimate conclusion. Defining value as ratio of exchange he says that it *depends on* utility. Now value is not a ratio, though its mathematical expression is a ratio, and it does not depend on utility for it is utility, evolved in a certain specific way, and quantitatively limited. The whole difficulty attaching to this subject seems to have arisen from substituting the quantitative expression for the thing expressed. If we should speak of weight as a quantity or measure of gravitation, and then make abstraction of the gravitation, we should have left a mathematical formula only, and that formula would not be a definition of weight. So it is with value. Weight is not the ratio by which the measurement of gravitation is expressed, it is gravitation measured. Value is not the ratio by which the measurement of utility is expressed, it is utility measured. It is when a comparison of utilities begins, and one utility is measured in terms of another, that value in its most general form arises. This process of comparison cannot go far save in one specific way, which has its origin in the fact that utility is relative, arising, as Professor Jevons says, "from commodities being brought in suitable quantities and at the proper times into the possession of persons needing them." To a large extent this is done by an immediate process, in the production, by labor, of concrete goods to be consumed by the laborer. But to a considerable and always increasing extent this process fails. The laborer finds that, in spite of his best endeavors, he produces more of some things than he can use and less of others than he wants. His surplus would

be useful if put into the possession of persons needing it, and this potential utility is therefore made actual by exchange. It is this potential utility that is habitually compared, measured, valued, as a part of the process of exchange. Consequently, value, in the economic sense, *is the potential utility that is measured and made actual by exchange.*

It follows that exchange is a secondary process of production. It is complex production in distinction from simple production, and value is complex in distinction from simple utility. The creation by labor of immediate, actual utility, plus more or less of potential utility, is the primary process. The creation of value presupposes the creation of unexchanged utility. A community may exist without the secondary process, it can not exist without the primary. The primary is constant and universal, the secondary merely common; and that definition of Political Economy which calls it the science of exchanges, is absurd.

Perhaps another result of the method here proposed will be a more distinct recognition than we have had of the incidental character of the process of distribution. As Professor Clark has so clearly shown in his "Philosophy of Wealth," there is no separate process of distribution. There is no part of the social organism having distribution for its specific function. Distribution is simply an incidental consequence of production. The less developed a society is, the more largely is distribution determined by the primary process of production. What the fisherman or the peasant farmer produces of actual utility, he has. The more perfectly developed a society is the more largely is distribution deter-

mined by the secondary process of production; that is, by exchange. Goods are now produced to sell. The condition of the market, commercial advantage or disadvantage, relative skill in buying and selling, determine the shares of wealth that men obtain.

We shall never fully understand either distribution, exchange or simple production, considered as results of individual economic effort, until we get firm hold of the truth that these are not three separate processes but only three developments of one process, in which distribution cannot be separated from exchange and simple production, nor exchange from that production of utility by labor which it presupposes. The traditional partition of economic science into departments of production, exchange, distribution, etc., not only does not correspond to the objective fact, it misrepresents the objective fact.

Individual economic efforts are coördinated chiefly through an unconscious physical process by the tendency of all activities, considered as physical forces, to reach an equilibrium. The highest and most difficult achievement in this part of economic science is to determine the laws of equilibrium of the complex system of forces in action. Among the difficult problems that have not yet received their final solution are those of demand and supply, cost of production, the relation of competition to combination, the relation of commodities to money and of money to prices, and the rhythms of credit and industrial prosperity. All these are problems of economic physics, and will be solved, when they are solved, by the application of the mathematical method of Gossen, Jevons and Walras. The common mistake of the mathematical economists is in assuming that there is nothing in Political Economy but economic physics.

In affirming, a moment ago, that distribution, exchange and simple production are but developments of a single process, I was careful to say, "considered as results of individual economic effort." The necessity of this qualification becomes apparent when we turn our attention to the economic function of the social consciousness. We then discover at once that this function consists, in large measure, in deliberately separating production, exchange and distribution, into distinct processes. It distributes wealth to some extent by actually taking it from the hands in which production and exchange would leave it, and giving it to others. It decides when, how and to what extent exchange shall be permitted. It prohibits the production of certain things and the production of anything under certain conditions.

The study of this economic action of the social organism through its self-consciousness corresponds very nearly to the study of what Adam Smith meant by "systems of Political Economy," that is, the systems of economic policy which nations consciously adopt and put in force by legislation. It comprehends all that modern writers have included under the designation of applied political economy, conscious that it is something that the economist cannot neglect, but debarred by the old conceptions from treating it as an integral part of the science. If there is but one social organism which acts in the two broadly contrasted ways that have been described, we can have no complete theory of production and distribution by neglecting one-half of the process, and the study of the economic action of the social organism through its self-consciousness is just

as legitimately an integral part of our science as the study of its action through individual efforts.

The third grand division of Political Economy will deal with the reactions of production and distribution upon the social organism. I shall not undertake, at this time, to follow out the subdivision of this part. Let me merely say that it will include, besides the study of the consumption of wealth, an investigation of the reactions of the ways of getting and dividing wealth, and of the gradual change, under these reactions, of the economic natures of men and the economic institutions and customs which had been provisionally assumed to be fixed. I know of nothing more dreary and unimportant than the customary text-book chapter on the consumption of wealth. Nothing in economic science is of such immeasurable importance as the production, partition and consumption of wealth as related to the evolution of the social organism, and I believe that future students will find the study of this relation as much more fascinating than the study of other economic processes, as students of biology find the study of the reactions of activity upon the organism more fascinating than the mere dissection of parts.

Prepared by studies in this last field, economists may, I think, investigate with some success the past evolution of the economic organism. The historical economists are accumulating invaluable data for this work, but we are not yet able to use it to the best advantage. We lack as yet what the biologist calls the evolutionary sense. And this sense is to be acquired by the economist as by the biologist, chiefly by studying in the most common phenomena about us, the reciprocal reactions of the organism and its activities.

I believe that this scheme of Political Economy constitutes an organic whole. But because of its magnitude, and because its different parts require different mental qualities that are not always united in one student, it will resolve itself for working purposes into a number of special sciences. That part which I have called Economic Physics will include all of the *a priori* economy that culminated in the earlier writings of Mr. Mill. Professor Jevons was right, I think, in his belief that all of that economy will come within the range of the mathematical method. But besides Economic Physics there will be a Descriptive Political Economy, identical with what I have called the first division of the science ; an Economic Politics, co-extensive with the second part of the second division, and an Economic Biology and Psychology, co-extensive with the third division. My purpose is accomplished if I have shown that these cannot be independent, or mere loosely related sciences, but that they are true organic parts of a perfectly organic whole.